

***COLORADO LOTTERY
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION***

**INCLUDING STATEMENT OF LOTTERY REVENUES,
PRIZE DISBURSEMENTS AND OTHER EXPENSES**

(UNAUDITED)

FOR THE FIVE (5) MONTHS ENDED

NOVEMBER 30, 2011

**COLORADO LOTTERY
FINANCIAL STATEMENTS
(UNAUDITED)**

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John Hickenlooper
Governor

Barbara Brohl
Executive Director

Abel Tapia
Lottery Director

February 8, 2012

Members of the Lottery Commission and
Mr. Abel Tapia, Lottery Director

Pursuant to CRS 24-35-204, the Colorado Lottery is required to furnish monthly, "a complete statement of lottery revenues, prize disbursements and other expenses" (the financial statements).

The attached financial statements have not been audited.

The financial statements presented for the five months ended November 30, 2011 have been prepared in accordance with generally accepted accounting principles, using established accounting and internal control procedures. These procedures support the production of reliable financial statements. As with any system of accounting and internal control procedures, there are inherent limitations, and the procedures cannot be relied upon to completely eliminate the occurrence of discrepancies, error or omissions, but should reduce the risk to a relatively low tolerable level.

Respectfully submitted,

A handwritten signature in cursive script that reads "John Caligaris".

John Caligaris
Controller, Colorado Lottery
Colorado Department of Revenue

**COLORADO LOTTERY
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

**INCLUDING STATEMENT OF LOTTERY REVENUES
PRIZE DISBURSEMENTS AND OTHER EXPENSES
(UNAUDITED)**

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COLORADO LOTTERY
FINANCIAL HIGHLIGHTS
\$ IN MILLIONS
FOR THE FIVE (5) MONTHS ENDED NOVEMBER 30, 2011 AND 2010

The table included below and the graphs included on page 2 present certain summarized operating results of the Colorado Lottery for the five months ended November 30, 2011, and 2010 and should be read in conjunction with the financial statements presented herein. The graphs included on page 2 are presented for the purpose of demonstrating the Colorado Lottery's compliance with certain statutes that pertain to its operations.

	For the Five Months Ended November 30,			
	FY 2012		FY 2011	
	Total	Actual Percent	Total	Actual Percent
INCOME				
Gross Ticket Sales	\$210.23		\$202.37	
Nonoperating revenue	0.38		0.44	
TOTAL INCOME	210.61		202.81	
LESS:				
PRIZES	\$133.16	63.3% (1)	\$124.99	61.8% (1)
RETAILER COMMISSIONS AND BONUSES	\$16.15	7.7% (1)	\$15.44	7.6% (1)
ADMINISTRATIVE COSTS				
Ticket Costs and Vendor Fees	4.49		4.47	
Other Operating Expenses	11.95	(3)	10.70	
TOTAL ADMINISTRATIVE COSTS (Note 3)	16.44	7.8% (2)	15.17	7.5% (2)
	44.86		47.21	
NET CHANGE IN NET ASSETS	-0.53		0.46	
PROCEEDS DISTRIBUTION	\$45.39	21.6% (2)	\$46.75	23.1% (2)

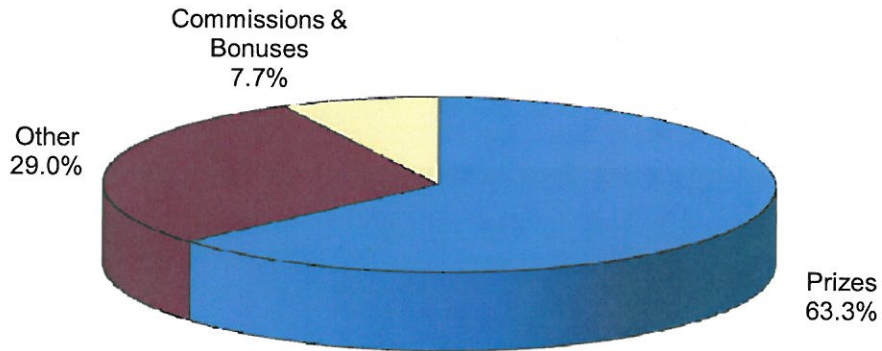
Note 1: Percent of gross ticket sales.

Note 2: Percent of total income.

Note 3: Total operating expenses per the statement of revenues, expenses and changes in fund net assets includes unappropriated expenses such as depreciation and accrued annual and sick leave. The actual administrative costs percentage would be slightly lower if they were removed from the calculation.

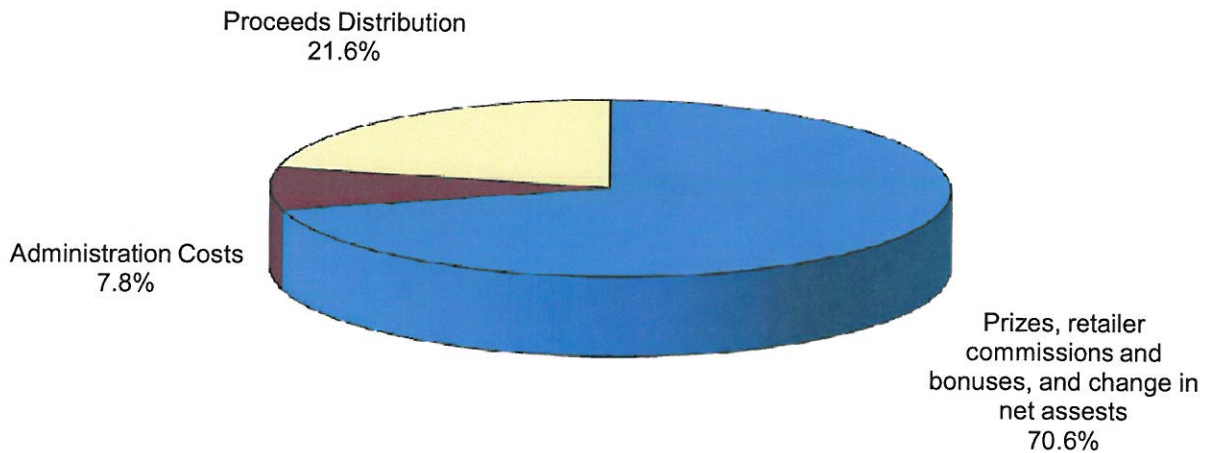
COLORADO LOTTERY
SUPPLEMENT OF FINANCIAL HIGHLIGHTS
FOR THE FIVE MONTHS
ENDED NOVEMBER 30, 2011

PERCENT OF GROSS TICKET SALES



To depict compliance with the 50% prize payment statute and the commission/bonus rules.

PERCENT OF TOTAL INCOME



To depict status of administrative expenditures to date.

COLORADO LOTTERY
STATEMENTS OF NET ASSETS
NOVEMBER 30, 2011 AND 2010
(UNAUDITED)

ASSETS	FY 2012	FY 2011
Current Assets:		
Cash and Investments	\$ 45,516,650	\$ 53,988,758
Accounts Receivable, net of the allowance for doubtful accounts of \$176,378 in 2011 and \$181,074 in 2010	22,033,667	20,101,708
Consignment Inventory, at Cost	142,123	145,941
Warehouse Inventory, at Cost	1,141,565	1,208,623
Prepaid Expenses	189,099	153,969
Total Current Assets	69,023,104	75,598,999
Reserve and Restricted Assets:		
Cash and Investments-Operating Reserve	1,300,000	1,400,000
Cash and Investments-Licensed Agent Recovery Reserve Receipts	420,736	376,645
Prepaid Prize Expense with MUSL	4,636,523	3,909,859
Total Reserve and Restricted Assets	6,357,259	5,686,504
Capital Assets:		
Equipment	6,378,722	6,871,770
Leasehold Improvements	64,711	0
Less Accumulated Depreciation and Amortization	(3,111,445)	(2,782,843)
Total Capital Assets	3,331,988	4,088,927
TOTAL ASSETS	\$ 78,712,351	\$ 85,374,430
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 2,092,316	\$ 2,514,099
Prize Liability	24,330,521	28,413,214
Payable to MUSL	267,143	49,452
Wages and Benefits	118,616	163,297
Accrued Annual and Sick Leave	0	0
Retailer Bonus Liability	586,541	616,246
Funds Available for Distribution	45,388,610	46,750,821
Total Current Liabilities	72,783,747	78,507,129
Long-Term Liabilities:		
Accrued Annual and Sick Leave	807,412	927,274
Expired Warrants Liability	68,468	74,455
Total Long-Term Liabilities	875,880	1,001,729
TOTAL LIABILITIES	73,659,627	79,508,858
NET ASSETS		
Investment in Capital Assets	3,331,988	4,088,927
Restricted-Licensed Agent Recovery Reserve	420,736	376,645
Restricted-Operating Reserve	1,300,000	1,400,000
Unrestricted-Other	0	0
TOTAL NET ASSETS	5,052,724	5,865,572
TOTAL LIABILITIES AND NET ASSETS	\$ 78,712,351	\$ 85,374,430

COLORADO LOTTERY
STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE FIVE (5) MONTHS ENDED NOVEMBER 30, 2011 AND 2010
(UNAUDITED)

	<u>FY 2012</u>	<u>FY 2011</u>
OPERATING REVENUES		
Gross Ticket Sales	\$ 210,234,426	\$ 202,366,238
DIRECT OPERATING EXPENSES		
Prize Expense	132,512,882	124,069,660
Powerball Prize Variance	157,131	1,527,986
Mega Millions Prize Variance	491,619	(612,410)
Retailer Commissions and Bonuses	16,150,073	15,436,942
Cost of Tickets and Vendor Fees	<u>4,490,186</u>	<u>4,469,029</u>
GROSS PROFIT ON SALE OF TICKETS	<u>56,432,535</u>	<u>57,475,031</u>
OTHER OPERATING EXPENSES		
Marketing and Communications	5,599,077	5,053,834
Administration Fees Paid to MUSL	63,085	65,758
Wages and Benefits	3,745,397	3,512,357
Professional Services	218,661	54,454
State Agencies Services	58,476	64,291
Department of Revenue Services	206,403	224,062
Travel	71,813	72,889
Equipment	44,704	64,135
Depreciation	450,667	248,694
Accrued Annual and Sick Leave	406	(26,128)
Space Rental	297,028	295,269
Rents for Equipment	13,539	12,238
Motorpool Leasing	162,272	152,531
Materials and Supplies	74,648	67,887
Telephone	69,184	59,907
On-Line Telecommunications	151,473	98,383
Data Processing Supplies and Services	13,118	72,872
Equipment Maintenance	206,697	180,673
Postage	29,798	28,945
Printing	17,960	4,172
Delivery Expense	397,959	345,968
Other	64,238	47,011
Total Other Operating Expenses	<u>11,956,603</u>	<u>10,700,202</u>
OPERATING INCOME	<u>44,475,932</u>	<u>46,774,829</u>
NONOPERATING REVENUES (EXPENSES)		
Other Revenue	163,562	48,201
Investment Income	216,392	392,341
Funds Distributed for Current Year	0	0
Funds Available for Distribution for Current Year	<u>(45,388,610)</u>	<u>(46,750,821)</u>
Total Nonoperating Revenues (Expenses)	<u>(45,008,656)</u>	<u>(46,310,279)</u>
NET INCOME(LOSS)	<u>\$ (532,724)</u>	<u>\$ 464,550</u>
NET ASSETS, BEGINNING OF YEAR	5,585,448	5,401,022
Net Change in Net Assets	<u>(532,724)</u>	<u>464,550</u>
NET ASSETS, END OF PERIOD	<u>\$ 5,052,724</u>	<u>\$ 5,865,572</u>

COLORADO LOTTERY
 POWERBALL ANNUITY WINNERS TRUST FUND
 STATEMENTS OF FIDUCIARY NET ASSETS
 NOVEMBER 30, 2011 AND 2010

(UNAUDITED)

ASSETS	<u>FY 2012</u>	<u>FY 2011</u>
Current Assets:		
Current Portion Long Term Investments-PB Annuity	434,000	417,000
Long Term Assets:		
Long Term Investments-PB Annuity	<u>9,687,676</u>	<u>9,501,854</u>
TOTAL ASSETS	\$ <u>10,121,676</u>	\$ <u>9,918,854</u>
 NET ASSETS		
Held in Trust for Powerball Winner	<u>10,121,676</u>	<u>9,918,854</u>
TOTAL NET ASSETS	\$ <u>10,121,676</u>	\$ <u>9,918,854</u>

COLORADO LOTTERY
 POWERBALL ANNUITY WINNERS TRUST FUND
 STATEMENTS OF CHANGES IN FIDUCIARY NET ASSETS
 FOR THE FIVE MONTHS ENDED NOVEMBER 30, 2011 AND 2010

(UNAUDITED)

	<u>FY 2012</u>	<u>FY 2011</u>
Additions		
Investment Income	\$ <u>233,890</u>	\$ <u>242,242</u>
Total Additions	<u>233,890</u>	<u>242,242</u>
Deductions		
Prize Payments	<u>417,000</u>	<u>401,000</u>
Change in net assets	(183,110)	(158,758)
Net Assets held in Trust for Powerball Winner		
Beginning of Year	<u>10,304,786</u>	<u>10,077,612</u>
End of Period	\$ <u><u>10,121,676</u></u>	\$ <u><u>9,918,854</u></u>

COLORADO LOTTERY
SCHEDULE OF REVENUE AND COSTS FOR SCRATCH AND ON-LINE GAMES
FOR THE FIVE MONTHS ENDED NOVEMBER 30, 2011
(With Comparative Totals for the Five Months Ended November 30, 2010)

	Games in Progress						FY 12	FY 11
	Scratch	Lotto	Powerball	Cash 5	Matchplay	Mega Millions	Total	Scratch and On-Line
TICKET SALES	\$145,635,396	\$12,892,427	\$31,478,982	\$8,039,691	\$3,908,648	\$8,279,282	\$210,234,426	\$202,366,238
PRIZE EXPENSE	(99,593,768)	(7,934,369)	(14,715,837)	(4,373,151)	(2,432,813)	(3,462,944)	(132,512,882)	(124,069,660)
MULTI-STATE PRIZE VARIANCES	N/A	N/A	(157,131)	N/A	N/A	(491,619)	(648,750)	(915,576)
NET REVENUE AFTER PRIZES	46,041,628	4,958,058	16,606,014	3,666,540	1,475,835	4,324,719	77,072,794	77,381,002
COMMISSIONS, BONUSES, TICKET COSTS & VENDOR FEES (Note 1)								
Retailer Commission	(10,180,214)	(772,335)	(1,886,094)	(481,614)	(233,904)	(495,811)	(14,049,972)	(13,477,380)
Retailer Bonus	(1,649,799)	(83,990)	(203,159)	(75,927)	(36,462)	(50,764)	(2,100,101)	(1,959,562)
Cost of Tickets Sold	(1,223,461)	N/A	N/A	N/A	N/A	N/A	(1,223,461)	(1,288,615)
Telecomm Reimbursements	225,431	19,956	48,727	12,445	6,050	12,816	325,425	320,960
On-Line Vendor Fees	(2,490,887)	(220,546)	(535,020)	(137,421)	(66,799)	(141,477)	(3,592,150)	(3,501,374)
TOTAL	(15,318,930)	(1,056,915)	(2,575,546)	(682,517)	(331,115)	(675,236)	(20,640,259)	(19,905,971)
GROSS PROFIT ON SALE OF TICKETS	\$30,722,698	\$3,901,143	\$14,030,468	\$2,984,023	\$1,144,720	\$3,649,483	\$56,432,535	\$57,475,031
AVERAGE DAILY TICKET SALES	\$951,865	\$84,264	\$205,745	\$52,547	\$25,547	\$54,113	\$1,374,081	\$1,322,655

Note 1: Administrative costs of Lottery operations, including wages, advertising and other expenses are not shown.

COLORADO LOTTERY
SCHEDULE OF PERCENT OF PRIZE EXPENSE TO GROSS TICKET SALES
FOR THE FIVE MONTHS ENDED NOVEMBER 30, 2011

	Games in Progress						FY 11	FY 10
	Scratch	Lotto	Powerball	Cash 5	Matchplay	Mega Millions	Total	Total
Prize Expense *	\$99,593,768	\$7,934,369	\$14,872,968	\$4,373,151	\$2,432,813	\$3,954,563	\$133,161,632	\$124,985,236
(/)/Ticket Sales	145,635,396	12,892,427	31,478,982	8,039,691	3,908,648	8,279,282	\$210,234,426	202,366,238
Prize %	68.39%	61.54%	47.25%	54.39%	62.24%	47.76%	63.34%	61.76%

*Net of Multi-State Prize Variances

COLORADO LOTTERY
BUDGET STATUS
FOR THE FIVE (5) MONTHS ENDED NOVEMBER 30, 2011

	FY12 Budget (Note 1)	Amount Expended (Note 3)	Amount Available	Percent Expended (Note 2)
Personal Services	\$8,793,014	\$3,324,749	\$5,468,265	37.8%
DOR Postage	0	0	0	N/A
Amortization Equal	191,348	70,551	120,797	36.9%
Suppl Amortization Equalization	153,762	54,270	99,492	35.3%
Workmen's Compensation	62,670	26,112	36,558	41.7%
Shift Differential	6,188	3,114	3,074	50.3%
Health and Life	671,016	294,202	376,814	43.8%
Short Term Disability	12,096	4,947	7,149	40.9%
Operating	1,203,156	498,637	704,519	41.4%
Variable Vehicle	192,785	665	192,120	0.3%
Leased Space	703,845	294,603	409,242	41.9%
Leased Space-Grand Junction	6,907	2,425	4,482	35.1%
Risk Management	25,231	10,513	14,718	41.7%
Vehicle Lease Payments	138,708	53,996	84,712	38.9%
Travel	113,498	71,777	41,721	63.2%
Purch. Of Services-Computer Center	2,603	0	2,603	0.0%
Marketing, Communications & Sales	14,700,000	5,597,727	9,102,273	38.1%
Communications Services	2,193	961	1,232	43.8%
Payments to MNT	210,811	87,838	122,973	41.7%
Payments to Other Agencies	239,410	51,558	187,852	21.5%
Legal Services	16,081	7,678	8,403	47.7%
Indirect Costs	495,867	206,403	289,464	41.6%
Ticket Costs-Scratch	6,578,000	1,655,519	4,922,481	25.2%
Research	250,000	1,350	248,650	0.5%
Vendor Fees	12,571,504	3,653,649	8,917,855	29.1%
Prize Payments	424,104,016	135,576,843	288,527,173	32.0%
Retailer Compensation	52,241,350	16,150,073	36,091,277	30.9%
Multi-State Lottery Funds	177,433	63,085	114,348	35.6%
Lottery System Migration	1,014,752	285,412	729,340	28.1%
TOTAL	<u>\$524,878,244</u>	<u>\$168,048,657</u>	<u>\$356,829,587</u>	<u>32.02%</u>

FY11 Staffing - FTE - (Note 4) 117.00 (Appropriated) 120.00 (Projected)

Reconciliation of Expenses per "Statement of Revenues, Expenses and Changes in Retained Earnings" to Budgeted Expenditures:

Expenses Per Statement of Revenues, Expenses and Changes in Retained Earnings

Prize Expense	132,512,882
Powerball Prize Variance	157,131
Megamillions Prize Variance	491,619
Commissions and Bonuses	16,150,073
Cost of Tickets & Vendor Fees	4,490,186
Operating Expenses	11,956,603
Total Expenses per Statement of Revenues, Expenses and Changes in Retained Earnings	<u>165,758,494</u>
Plus: Powerball Variance classified as revenue	2,096,367
Megamillions Variance classified as revenue	318,844
Telecommunications offset classified as revenue	325,425
Less: Non-appropriated expenses and other adjustments	
Depreciation	(450,667)
Accrued Annual and Sick Leave	(406)
Loss on Disposal of Equipment classified as revenue	600
Sub-Total	<u>168,048,657</u>
Plus: Capitalized Fixed Assets	0
	<u><u>168,048,657</u></u>

Note 1 - FY12 budget includes Lottery Long Bill and transfers from the Department of Revenue and anticipated supplemental funding.

Note 2 - Percent of fiscal year elapsed through November 30, 2011 is 41.67%.

Note 3 - Amount expended includes expenditures for both capitalized and non-capitalized equipment.

Note 4 - The Governor's budget office has informed departments that the appropriated FTE can be exceeded by 10% for FY 2012